

CTIA-The Wireless Association®
Positions on Key Universal Service Issues
February 8, 2006

General Positions:

- The mobile wireless industry is a significant net payer into the universal service system. Wireless carriers collectively are responsible for approximately 34% of contributions to universal service, while receiving only approximately 12% of subsidies. Meanwhile, there now are significantly more wireless customers (approx. 195 million) than wireline switched access lines (approx. 178 million).
- Wireless carriers have strong incentives to ensure that the universal service fund is no larger than necessary. To that end, universal service support mechanisms should encourage and reward efficiency, so that demand declines over time as the goals of universal service are achieved.
- At the same time, universal service policies should reflect market recognition of the benefit of mobile wireless services to consumers in both rural and non-rural areas. Universal service policies should not discriminate against wireless carriers.

Universal Service Contribution Methodology:

- CTIA supports adoption of a numbers- and capacity-based universal service contribution methodology. CTIA's numbers- and capacity-based proposal would appropriately balance the following goals:
 - Establishing a sustainable and predictable universal service contribution base;
 - Ensuring that all providers of interstate telecommunications contribute on an equitable and nondiscriminatory basis;
 - Ensuring that no consumer group is unfairly advantaged or disadvantaged as a result of the transition to a new system; and
 - Minimizing administrative burdens and/or costs for contributors.

High-Cost Universal Service Mechanisms:

- CTIA believes that there are multiple problems with the current high-cost universal service mechanisms, including: (1) incentives for incumbent LEC inefficiency; (2) enrichment of incumbent LEC profits; and (3) unnecessary administrative complexity.
- CTIA believes that the FCC should combine all the high-cost mechanisms into one mechanism that calculates support for both incumbents and competitors based on the costs of the most efficient technology for a given area. The FCC also could consider other market-driven mechanisms that would reward efficiency,

such as a system of competitive bidding (or reverse auctions) to determine high-cost support levels for both incumbents and competitors.

- In addition, the FCC should implement short-term fixes to the embedded cost system, such as: (1) no more subsidization of profits; (2) combining study areas; and (3) transitioning larger rural incumbent LECs to the non-rural high-cost mechanism.

Eligible Telecommunications Carriers:

- CTIA has supported proposals to ensure that universal service support is used only for its intended purposes. CTIA supports stringent guidelines adopted by the FCC requiring both incumbent and competitive ETCs to use high-cost universal service support to provide supported services to requesting customers throughout a designated service area.
- ETC eligibility requirements should not discriminate against wireless carriers, *e.g.*, requiring wireless carriers to replicate wireline networks and services to receive high-cost universal service support. Consumers, the only intended beneficiaries of universal service, clearly value mobile wireless services, and universal service policies should reflect that fact.
- Neither the incumbent nor the competitor should receive high-cost support based on their embedded costs. The best way to create incentives for carrier efficiency is to calculate support based on the most efficient technology for a given geographic area. The embedded cost system has produced increasing demand for subsidies by incumbent LECs. This trend – reflecting incentives for inefficiency inherent in any “actual” cost system – should not be replicated for competitive carriers.
- The incumbent and competitors should not receive unequal high-cost universal service support. Unequal support will distort markets by creating artificial incentives for consumers to purchase certain services and dissuading market entry by more efficient and innovative competitive alternatives. As discussed above, incumbents and competitors should receive equal support based on the most efficient technology for a given area.